TAXABLE YEAR

1997 Depreciation and Amortization

CALIFORNIA FORM

3885P

Name as shown on return

FEIN

Assets placed in service after 12/31/96 (depreciation):
Intangibles placed in service after 12/31/96 (amortization):

1 (a) Description of property	(b) Date placed in service	(c) Cost or other basis	Depreciation of Assets (d) Method of figuring depreciation	(e) Life or rate	(f) Depreciation for this year	Amortization of Property (g) Code section	(h) Period or percentage	(i) Amortization for this year

1 Enter line 1, column (f) and column (i) totals here 1

Depreciation

2 California depreciation for assets placed in service before January 1, 1997 2

Note: Be sure to make adjustments for any basis differences.

3 Total California depreciation. Add line 1(f) and line 2 3

Amortization

4 California amortization for intangibles placed in service before January 1, 1997 4

Note: Be sure to make adjustments for any basis differences.

5 Total California amortization. Add line 1(i) and line 4 5

6 Total depreciation and amortization. Add line 3 and line 5. Enter the total here and on Form 565, Side 1, line 16a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities 6

7 Section 179 expense election from worksheet. See instructions 7

8 Carryover of disallowed deduction to 1998. 8

TAXABLE YEAR

1997 Capital Gain or Loss

CALIFORNIA SCHEDULE

D (565)

Name as shown on return

FEIN

1 (a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price. See instructions.	(e) Cost or other basis. See instructions.	(f) Gain (loss) ((d) minus (e))

1 Enter line 1, column (f) total here 1

2 Capital gain from installment sales, form FTB 3805E, line 26 or line 37 2

3 Partnership's share of net capital gain (loss), including gains (losses) from LLCs, partnerships, fiduciaries and S corporations 3

4 Capital gain distributions 4

5 Net capital gain (loss). Add line 1, line 2, line 3 and line 4. Enter total on Schedule K, line 4d, and each partner's share on Schedule K-1 (565), line 4d 5

Instructions for Form FTB 3885P

Depreciation and Amortization

General Information

Due to California legislation enacted in 1997, California law conforms to the Internal Revenue Code (IRC) as of January 1, 1997, and to selected provisions of the federal Taxpayer Relief Act of 1997 (Public Law 105-34):

- Exclusion of gain on the sale of a residence, and
- Certain provisions with respect to individual retirement plans.

A Purpose

Use form FTB 3885P to compute depreciation and amortization allowed as a deduction on Form 565. Attach form FTB 3885P to Form 565.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. Land is not depreciable.

Amortization is similar to the straight-line method of depreciation in that an annual deduction is allowed to recover certain costs of intangibles over a fixed period of time.

In general, California law follows federal law for assets placed in service on or after January 1, 1987, for personal income tax. See R&TC Section 17250.

B Calculation Methods

California did not allow depreciation under the federal ACRS for years prior to 1987.

California law now conforms to federal law for the following:

- Expense treatment for small business: For 1997 the maximum allowed under California law is $13,000; the maximum allowed under federal law is $18,000.
- Fifteen year class life for gas station convenience stores and similar structures for noncorporate taxpayers.
- Amortization of reforestation expenses over 7 years (noncorporate and corporate taxpayers).
- Depreciation under income forecast method for property placed in service on or after 1/1/97 and before 8/6/97 (noncorporate and corporate taxpayers).
- Nonresidential real property depreciation to be determined by using a recovery period of 39 years rather than 31.5 years for noncorporate taxpayers. California did not conform to this provision until 1/1/97. Therefore, the California recovery period of 31.5 years should be used for such property placed in service from 5/13/93 and before 1/1/97.

California did not conform to federal law for the following:

- Accelerated depreciation for property on Indian reservations;
- Limitation on the use of the income forecast method of depreciation for property placed in service after 8/5/97; and
- Modified luxury automobile depreciation limitations for clean fuel and electric vehicles placed in service after 8/5/97.

As a result of California legislation enacted in 1997:

- Any grapevine replaced in a vineyard in California as a direct result of Pierce's Disease in any taxable year beginning on or after January 1, 1997, will be considered five-year property for accelerated cost recovery provisions.
- The corporate provision for the five-year amortization of child care facilities has been repealed.

Specific Line Instructions

Line 1 – California depreciation for assets placed in service after December 31, 1996 and amortization for intangibles placed in service after December 31, 1996.

Complete column (a) through column (i) for each asset or group of assets or property placed in service after December 31, 1996. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – California depreciation for assets placed in service before January 1, 1997

Enter total California depreciation for assets placed in service prior to January 1, 1997, taking into account any differences in asset basis or differences in California and federal tax law.

Line 4 – California amortization for intangibles placed in service before January 1, 1997. Enter total California amortization for intangibles placed in service prior to January 1, 1997, taking into account any differences in asset basis or differences in California and federal tax law.

California has conformed to IRC Section 197 relating to the amortization of intangibles as of January 1, 1994. No deduction is allowed under this section for any taxable year beginning prior to January 1, 1994. If a taxpayer made an election for federal purposes under the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the election to have amendments apply to property acquired after July 25, 1991, or relating to an elective binding contract exception, a separate election for state purposes is not allowed under R&TC Section 17024.5(e)(3), and the federal election is binding. In the case of an intangible that was acquired in a taxable year beginning before January 1, 1994, and that is amortized under IRC Section 197, the amount to be amortized cannot exceed the adjusted basis of that intangible as of the first day of the first taxable year beginning on or after January 1, 1994. This amount must be amortized ratably over the period beginning with the first month of the first taxable year beginning on or after January 1, 1994, and ending 15 years after the month in which the intangible was acquired.

Assets with a Federal Basis Different from California Basis

Some assets placed in service on or after January 1, 1987, will have a different adjusted basis for California purposes due to the credits claimed or accelerated write-offs of the assets. Review the list of depreciation and amortization items in the instructions for Schedule CA (540), California Adjustments — Residents, and Schedule CA (540NR), California Adjustments — Nonresidents or Part-Year Residents. If the partnership has any other adjustments to make, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments, for more information.

Line 6 – Total Depreciation and Amortization

Add line 3 and line 5. Enter the total on line 6 and on Form 565, Side 1, line 16a.

If depreciation or amortization is from more than one trade or business activity, or from more than one rental real estate activity, the partnership should separately compute depreciation for each activity. Use the depreciation computed on this form to identify the net income for each activity. Report the net income from each activity on an attachment to Schedule K-1 for purposes of passive activity reporting requirements. Use California amounts to determine the depreciation amount to enter on line 14 of federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

Line 7 – Enter the IRC Section 179 expense election amount from the following worksheet.

These limitations apply to the partnership and each partner.

Election to Expense Certain Tangible Property (IRC Section 179)

Note: Follow the instructions on federal Form 4562 for Listed Property.

1.	Maximum dollar limitation	$ 13,000
2.	Total cost of IRC Section 179 property placed in service during the tax year	
3.	Threshold cost of IRC Section 179 property before reduction in limitation	$200,000
4.	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	
5.	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-	

(a) Property	**(b)** Cost	**(c)** Elected cost
6.		

7.	Listed property. Use federal Form 4562, Part V, line 27, making any adjustments for California law and basis differences	
8.	Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7	
9.	Tentative deduction. Enter the smaller of line 5 or line 8	
10.	Carryover of disallowed deduction from 1996. See instructions for line 9 through line 12 on the federal Form 4562	
11.	Income limitation. Enter the smaller of line 5 or the aggregate of the partnership's items of income and expense described in IRC Section 702(a) from any business actively conducted by the partnership (other than credits, tax-exempt IRC Section 179 expense deduction and guaranteed payments under IRC Section 707(c))	
12.	IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11. Enter on Schedule K (565), line 9 and on form FTB 3885P, line 7	
13.	Carryover of disallowed deduction to 1998. Add line 9 and line 10 and subtract line 12. Enter here and on line 8 of form FTB 3885P	

Instructions for Schedule D (565)

Capital Gain or Loss

General Information

Use Schedule D (565) to report the sale or exchange of capital assets, except capital gains (losses) that are specially allocated to any partners. Do not use this form to report the sale of business property. For sales of business property use California Schedule D-1.

Enter specially allocated capital gains (losses) received from LLCs, partnerships, S corporations and fiduciaries on Schedule D (565), line 3. Enter capital gains (losses) that are specially allocated to members on line 4d of Schedule K-1 (565). Do not include these amounts on Schedule D (565). See the instructions for Schedule K (565) and Schedule K-1 (565) for more information. Also refer to the instructions for federal Schedule D (1065).

California law and federal law are the same for the following:

- Write-off of lessor improvements when abandoned at termination of lease.
- Application of involuntary conversion rules to presidentially declared disasters.
- Involuntary conversions with related parties; FCC certified sales and exchanges.
- Basis adjustment required when acquisition of stock representing the controlling interest in a corporation qualifies for replacement property.
- Provisions to prevent conversion of ordinary income to capital gain.
- Repeal of certain exceptions to the market discount rules and recognition of ordinary income on sale or exchange of bonds.
- Election to treat net capital gains as investment income.
- Nonrecognition treatment for certain transfers by common trust funds to regulated investment companies.